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Pullan, Richard Butterfield

National currency instead of national bank notes

[Philadelphia]

[1869?]

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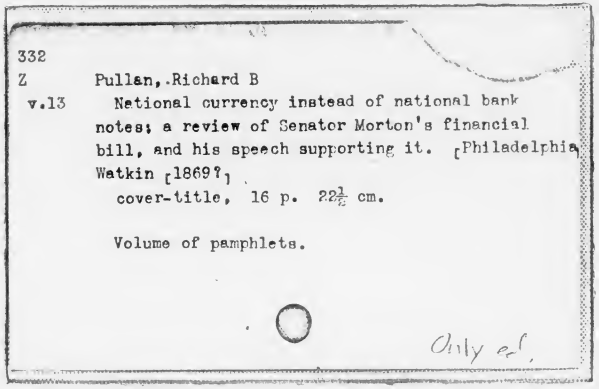

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Committee,
New York City.

NOTE.—The attention awakened by the papers, over the signature of R. B. P., to the national banks as an obstacle to the settlement of our financial difficulties, has induced me to put them together in this form, that this argument, in favor of a National Currency, may be fairly presented. Justice cannot be done to a chain of reasoning except by examining it as a whole, and not by separate links from day to day.

The first article appeared in the *Cincinnati Gazette*, of January 5, 1869, and the others in the *Cincinnati Chronicle* at intervals during the month. The change of base, I understand, was made to satisfy a curiosity expressed to see how the several positions in the *Gazette* communication could be maintained, especially the one declaring United States Notes had not the same character as Bonds and other forms of government indebtedness.

I thus publish them, because the subject discussed is one that will, more than any other, occupy public attention for some time; and, should the *Senate Finance Committee's* Bill, just reported, for the extinguishment of the Greenback and the increase of the national bank circulation, become a law, the old United States Bank fight will be renewed, not to end until the odious monopoly is destroyed.

Those who are opposed to the extinguishment of United States Notes for the benefit of national banks, are invited to unite in presenting these papers to the public in a cheap form. They can be had at $5 per 100, 75 cents per dozen, or 10 cents single copy, at our office, 230 Walnut Street.

CINCINNATI, *Jan.* 23, 1869. H. WATKIN.

NATIONAL CURRENCY

INSTEAD OF

National Bank Notes:

A REVIEW OF

SENATOR MORTON'S FINANCIAL BILL,

AND HIS SPEECH SUPPORTING IT.

To the Editor of the Cincinnati Gazette:

The Senator's argument proceeds upon the assumption that United States notes are part of the public debt; hence his error in supposing that all the means of the government should be applied to their payment before that of any of the debt not matured. The idea, in such assumption, is foreign to every expression in the laws authorizing their issue.

His theory is, that the domestic business of the country will be done with a paper circulation, even when that paper is convertible into gold, provided the people have entire confidence that it will so continue; and he hence concludes, that should the government provide itself with coin sufficient to redeem all the United States notes, there would be but a limited call for the gold—say not to exceed one hundred millions. We might not agree with the estimate, but must acknowledge the correctness of the position.

The application of the theory, however, forbids any hope of success. His plan will likely fail, because, first, he fixes a date for the redemption, rather than laws which will accomplish the end desired; and, second, from the want of homogeneousness in the circulation. This last can only be secured

by substituting United States notes (with or without the legal tender attribute) for national bank notes. Such substitution would not disturb the present volume of circulation, and therefore would not work those changes in the relative values of property which obstruct and turn the regular currents of trade to the general derangement of business.

With such uniformity in the circulation, we might hope to realize the happy picture drawn by the Senator of what would likely occur at the period of conversion, provided that period should occur only after the public debt had been reduced or funded at low interest, and after the business of the country had been invigorated by a season of prosperity—not otherwise. Without that uniformity success seems impossible, on account of that antagonism between the National Currency and the national bank currency, which would cause the latter to extinguish the former the first moment opportunity was afforded. State bank paper was taxed out of existence for the benefit of national bank notes; and its only rival National Currency, is now sought to be legislated out for the same object; for the friends of the national banks must feel insecure until their circulation occupies the whole field, and becomes a necessity hardly less important than gold itself.

The organization of modern society demands a mixed currency of paper and coin—the one convertible into the other; the one for domestic convenience, and the other for foreign trade, and to preserve a uniformity of value between the domestic circulation and that of the world.

Hence all the talk about returning to a metallic currency means only the passage from an inconvertible to a convertible paper circulation, in which can be done all the domestic business of the country. Whatever that may be, whether notes issued by the United States or by corporations the whole of such business will be done in it. It is an interesting question, therefore, at this time to determine whether this circulation shall, through all time, be furnished by a corporate few or by the government, and whether the immense profit arising from the monopoly shall inure to them, or go to lighten the burdens of the whole people. Besides this economic consideration, a National Currency presents others of far greater importance.

It will remove the corrupting influence of a vast moneyed corporation, and divorce all connection between the government. Federal or State, with the business of banking, and leave it to be governed alone by the general laws determining the relations of debtor and creditor, that are applicable to every other branch of business.

Convertible into coin at the depositories of the United States, it is the legitimate offspring of the independent treasury system, now in operation over twenty years, and will meet with like universal acceptance, and be equally permanent.

It will be more stable than a national bank circulation, because the traditional hostility of the people to a national bank forbids the idea that the system can be permanent, and forces the conviction that the formidable efforts made to destroy it at each returning election will continually disturb the business of the country, even if they do not end in that degree of agitation and exasperation which will sweep away the debt on which that system is built.

It may be said that this is not a time to talk about the removal of the national banks; that the only thing now to consider is the settlement of the present troubles,—that the banks will soon vacate of their own motion, when the laws shall be made too stringent for their comfort. To this it may be answered that the present is the very time when their removal seems a necessity in consequence of their existence presenting an obstacle to a proper settlement, and when the ground they occupy is required on which to build a solid structure. The banks now furnish only three-sevenths of the circulation, and yet the interest on it, computed in currency, amounts to twenty-four millions annually. Is it not too much to expect that they would surrender such privileges after getting the other four-sevenths sooner than they will now? It is true Congress has complete control over them, and can make laws so stringent as will cause them to wind up. But will it? It is hardly possible; for with their extraordinary means for corruption, they will be more apt to regulate Congress than Congress to properly regulate them.

R. B. P.

LETTER I.

Correctness of the Senator's Theory.

Any deliberate utterances upon the important question of finance from a statesman of such distinguished ability as Senator Morton deserves the most careful consideration. The wisdom and sagacity that has heretofore marked every step of his public career should command the acceptance of any proposition urged by him, as

essential for the interests of the people, that is not entirely inconsistent with the convictions of one's own judgment. In this spirit has the writer endeavored to examine Senator Morton's bill, now before the Senate, and his speech supporting it. At the outset of his speech he says:

"The great problem now to be solved is how to reintroduce into the currency gold and silver, which can only be done by making the notes of the Government and of the National Banks convertible into coin at par."

His solution is "that the sales of gold by the Secretary of the Treasury, and that which will accrue hereafter over and above the sum required to pay the interest on the public debt and for specific uses, shall be reserved and set apart for the redemption of the greenback notes." The period fixed for this redemption is July 1, 1871, when he estimates there will be $170,000,000 gold in the Treasury. For the balance required "the Government then to procure enough gold abroad on its bonds, added to that which is in the Treasury, to redeem the whole greenback circulation." Thus $389,000,000 of gold is then to be in the Treasury, either from surplus or from sales of bonds for what they will bring in the market, all of which is to be immediately applied to the redemption of that amount of greenbacks.

This would seem to be a rather severe contraction. The Senator thinks otherwise, and severely deprecates the policy of contraction pursued by Mr. McCulloch, saying that—"Contraction is the Sangrado policy of bleeding the country nearly to death to cure it of a disease which demands tonics and building up. The withdrawal of even a hundred millions of the circulation would produce great stringency in the money market, innumerable bankruptcies, and most likely result in a panic and crash, from whence the country would not recover for years, and during which the power of the Government to fund the debt and redeem the balance of the greenback currency would be paralyzed. To contract the currency to the extent of funding all the greenbacks would be financial suicide—would precipitate a disaster to the trade, industry and prosperity of the country for which there is no example in history. We must not return to specie payments in that way. We must descend the mountain by easy slopes and gentle curves, though it may take much longer than to spring from the top of the precipice and be dashed in pieces at the bottom."

And in speaking of the question now under advisement by the Supreme Court touching the constitutionality of the legal tender feature of greenbacks, he says:

"Believing, as I do, that these laws are constitutional and were imperatively necessary at the time of their passage, I should look upon a decision by which they should be suddenly destroyed with horror, and the court making it would descend in history as the author of the most appalling financial disaster that ever happened in any country."

These expressions, and his withering denunciation of Secretary McCulloch's recommendation to take away the legal tender attribute of the greenback currency, declaring that "the Government, in so doing, would be guilty of no clearer act of repudiation," seem hardly reconcilable with the sudden extinction of the United States notes on July 1, 1871. That the Senator sees no inconsistency, arises from his belief that "it is doubtful whether the currency is more redundant now than it was when the banks were paying specie," and, consequently, that there would be but a small diminuation of the present volume of currency when resumption took place—not to exceed $100,000,000, provided the Treasury was prepared to redeem all notes presented; and that this abstraction would be supplied by a like, if not greater, amount of gold that would flow into the circulation. If this belief is correct, then does his bill accomplish the desideratum of which he speaks?

"To return to specie payment without a crash is the great desideratum, and this can only be done by making the process gradual. Time is a necessary element, and the first question to be considered is the period which should be fixed by the Government to begin the redemption of the greenback notes, and in my bill I have stated the 1st of July, 1871. Fixing a time must be the starting point of any plan which proposes to bring about resumption without crash and disaster."

We agree with the Senator that time is a necessary element to bring about a resumption of specie payments without disaster. His error, we think, is in fixing a date for the starting point, rather than in establishing laws whose legitimate operation would accomplish the end desired within a period that would be recognized by the general sentiment of the intelligent business community. Every one can see the great difference between fixing a date for the absolute payment of $389,000,000 of notes, and the enactment of certain laws which would accomplish the result the Senator hopes for and expects. In the one case everything would be forced to adapt itself to the change, however violent the circumstances of the times might make it. In the other, the ends to be accomplished

would have to adapt themselves to the forces organized to collect them. The time in the latter case might be a little shorter, or a little longer than was anticipated by the author of the law, but the disastrous consequences of making everything bend to a fixed date would be avoided. The Senator anticipates certain circumstances to exist on July 1, 1871, and that they will produce the effect he desires. If his conjectures prove to be true, we shall pass from an irredeemable paper currency to one convertible into gold with comparative comfort.

If, however, instead of $170,000,000, as he supposes, there should be no surplus of gold in the Treasury; if, instead of "the great body of existing debts among the people being paid during the two and a half years," there should have been but a small portion, in consequence of the general bankruptcy caused by this measure; if, instead of that "quietude of the public mind which would cause the people to forget the day of resumption when it arrives," the country should be rocking with agitation; and, more important than all, if the national banks, instead of sympathizing with the Senator in his desire that the greenback circulation might continue, should instantly make war upon it, and seek its extermination at the earliest possible moment—if any or all these should interfere, then will this measure be disastrous in the extreme.

The Senator thus portrays what he regards will be the legitimate operation of his bill:

"Third—By fixing the period of redemption so far off the Government will have time to collect the amount of gold that will be necessary. And first, I will consider the amount of gold that will probably be required, and with which it will be safe to begin redemption. It is shown by the history of banking that solvent and well conducted banks can safely carry on operations when they have one dollar in gold in their vaults to three dollars of their circulation. It is also shown by bank history that banks which have suspended specie payment, but whose solvency and good management are not suspected, have been able to resume when they have gotten into their vaults one dollar in gold to two and a half dollars of their circulation. The credit of the Government is better than that of any bank, and can, in my opinion, resume on a smaller proportion of gold than any suspended bank under the old rule. The greenback notes, notwithstanding their depreciation, have one great merit which did not belong to the paper of any of the old State banks, which is, that they are of uniform value in every part of the United States; they are far more convenient than coin for all business purposes; they can be sent to every part of the country in payment of debts better and cheaper than the transportation of coin. The traveler from Maine to Minnesota can carry $50,000 of it about his person without inconvenience or observation, saving to him the labor and anxiety of carrying coin, or the purchase of a bill of exchange if bought to par they would be the most desirable currency the country has ever known, and the causes which usually bring about a run on the banks for gold, would not operate against them or have any effect upon their value. Under the old State Bank system, to which it is hoped the country will never return, there was a far greater demand for gold than would occur under the present. The banks being local in their character, and their paper not current in distant parts of the country, led to a demand on them for gold by travelers, or those who had debts to pay at distant points where their notes were not current. From these and other considerations it is doubtful whether as much as one hundred millions of greenback notes would be presented for redemption when the greenback note is as good as gold unless for specific purposes, for it would be an inconvenience and a burden. The whole question may thus be stated: if the Government is strong, with gold to redeem all the notes that may be presented, but little gold will be demanded, because it will be worth no more than greenbacks; but if the Government is weak, and only able to redeem a small part of the currency, gold will be hastily drawn out to sell in the market."

The Senator might have added other reasons justifying the conclusion at which he arrives—the extinguishment of the gold certificates (all the currency being such), the introduction of the circulation into the Pacific States, heretofore doing business with a gold circulation, and the fact that there could be no specific use for the metal except in the arts, and for the settlement of balances in our foreign trade.

If this picture proves to be true, all the people would say amen; that is, all except those whose profit is not in the plunder of the people. But will it? and if not, wherein is to be found the cause for its failure? The discussion of this question will be more agreeable to the Senator than a blind approval of his measure. If there be any weak spots in his scheme, he of all others is most interested in their discovery; for it is not the mere adoption, but the success, of a measure that will bring its author any lasting honor. The speech now being considered affords abundant evidence of what we may expect from one who, rising above the small considerations that influence small men, can say to his fellow Senators and the whole country, as he has done in this speech:

"I voted for a bill last session to legalize specific contracts, to be executed in coin, without much consideration, and have since become satisfied it was an error. The money would be enticed into such contracts by the crafty, and those in straightened circumstances, or under heavy pressure, would be forced into them."

WHEREIN HIS PLAN WILL DISASTROUSLY FAIL.

The correctness of the picture drawn by the Senator could not be disputed was the circulation homogeneous, i. e., did the whole circulation consist of U. S. notes, of whose virtues he speaks? We might differ as to the exact amount of gold that would be called for, whether it would be more or less than one hundred millions, but none will question that it would be no more than would be necessary for specific purposes. We are not left to conjecture alone in estimating the preference that would be given by the people to such paper convertible into gold over the gold itself. We

have such a convertible currency now, and commercial convenience floats nearly twenty-five millions of it in a few seaboard cities, and nearly all of it in one. Its back might be printed in green as well as in letters of gold, and it would float as well. These gold certificates are nothing more than a paper circulation established for the convenience of importers, which the holder knows is redeemable at the U. S. Treasury in gold. Notwithstanding gold commands thirty-five per cent. premium, this currency is presented for conversion only when the holder has some specific use for the metal. Is it presumable that when greenbacks occupy the same position of convertibility into gold at the will of the holder, that any other course would or could be pursued toward them? How could there be, since no one could find a safer place for the deposit of his gold than the vaults of the United States Treasury?

On December 1, 1868, by the Secretary's report, there was in circulation $356,896,341 37 of U. S. paper not convertible, and $23,255,840 convertible into gold. This latter is demanded and kept afloat by the necessities, and for the convenience of a single branch of trade, mainly in the city of New York, and the amount varies but little in every quarterly report. What amount, then, would likely be demanded by the whole country, of a like convertible currency, for the transaction of all its business, and which would be of uniform value in every part of it? We may differ with the Senator in supposing that it would be nearly equal to the present volume of paper circulation, but all must admit that it would be very large. Was the circulation homogeneous, therefore, the transition from an irredeemable to a convertible currency might possibly produce as little disturbance in its volume as the Senator hopes or expects. But it is not, and therein lies all the difficulty. Nearly one-half the volume of currency is a source of profit to a privileged class in the community, and so long as it is permitted to exist, arrays them against the other half, to the end that they may have the undisputed monopoly of that most lucrative of all businesses. This fact the Senator recognizes, for he immediately adds:

"It is true that there are three hundred million dollars of National bank notes in circulation, for the redemption of which the Government is bound under the conditions of the National Banking law, and it has been urged that when the period fixed for redemption arrives the National banks would immediately rush to the treasury with all their greenback reserves and drain it of a large part of its gold. To avoid this difficulty and to make the process still more gradual, and to avoid all rush upon the treasury or the banks, I propose by my bill that the banks shall not be required to redeem their notes in specie until the 1st of January, 1872, and during the preceding six months shall be required to hold in their vaults the same amount of greenback reserves in which they may, as now, redeem their notes. If, during that period, they are required to hold their greenback reserves as now, of course they cannot rush to the treasury with them to get gold, and at the end of the time the Government will be able to meet their demands without trouble or danger. To give the banks six months to redeem their notes in gold, and perhaps I may move to make it a year beyond the time when the Government begins the redemption of the greenback currency, will be no hardship to the Government or the people, for National bank notes being convertible into greenbacks, they will be of equal value and at par, and persons holding the bank notes who want gold for them will only have to present them to the banks and receive greenbacks in exchange, on which they would get the gold."

"To avoid this difficulty," to defend the business interests of the country against this ever threatening assault of the National Banks, the Senator has made every provision possible. Will it be effectual? indeed, will it amount to any protection whatever? No, for any one can see that restraining the banks from presenting any of the notes in their possession for redemption before January 1, 1872, cannot possibly have any other effect than postponing the final extinction of the United States note circulation until that date. It is more likely that no such delay would occur, for although the banks themselves would be restrained, yet the individuals interested in them would not. This is unavoidable, for the Senator admits that "persons holding the bank notes, who want gold for them, will only have to present them to the banks, and receive greenbacks in exchange, on which they could get the gold;" and he might have added that every depositor could also demand greenbacks for his deposits, to be used for the same purpose. Under such circumstances it is impossible to believe that the gold would not be transferred without delay after July 1, 1871, from the vaults of the treasury to the vaults of the National Banks, and that the paper circulation of the country would not be *immediately contracted* by the amount of greenbacks thus retired. It is just here where the train descending the mountain by easy grades and gentle curves, will run off the track and go over the precipice, to be dashed in pieces at the bottom.

R. B. P.

LETTER II.

No Interest Arrayed against Specie Payment--the National Banking System the Obstacle.

When the Senator says that the great obstacle "to the return of specie payments, and the one which we will have the greatest difficulty to overcome, is the

interest arrayed against it," is he not mistaken in describing that interest to be the holders of the bonds, and that their opposition arises from the paltry advantage they get in the premium on the gold interest received? Rather will he not, on more mature reflection, find the difficulty, not so much from any special interest being arrayed directly against a return to coin convertibility, as that a powerful organization stands ready to profit by it, at the expense and sacrifice of the interests of the people, and causes the mass of that people to look with apprehension upon a measure that will add greatly to the value of its many hundred millions bills receivable, besides giving it a monopoly in supplying the circulation of a vast country, which will be worth from twenty to forty millions a year?

Surely the Senator errs in supposing any formidable interest to be arrayed against a return to specie payments. It is true that large interests are affected by it, by a transition that will add fifty per cent. to the value of all property in credits, held by a small minority of the people, and correspondingly depreciate that of all other descriptions, to the ruin of hundreds of thousands who may owe a moiety of the present value of the property for which their debts were contracted. But it is not true that this latter interest arrays itself against it. They have no time to organize and array themselves against anything, and they have no money to spare to perfect such organization. All the energies of the active workers in this land, and who mainly constitute the debtor, and form but a small part of the creditor class, are at this time taxed to the extreme of endurance to sustain themselves in their business, and save a home for their families. They have no time nor opportunity to formidably array themselves in opposition to any particular measure sprung upon Congress. Each and all are pursuing their ordinary business, as did the people of the North in the days preceding the rebellion. Not so with the other, the creditor class, to whom the speedy return to specie payment will bring great gain. They have abundance of leisure. They have money—plenty to accomplish any purpose—and the content of their opportunity, their facility of movement, to operate stealthily for their own selfish ends, is indicated by the conspiracies in New York during the first few weeks in November, when the securities of the United States were pressed down four and five per cent., and the soundest railroad stocks from five to thirty-five per cent., in a single day; and, again, during the last few weeks, when the largest railroad property in the country was advanced forty per cent. in the same incredibly short space of time. Like the wealthy slaveholders of the South once had, they have, the time, the ability and the opportunity to conspire against the public good; and it is only when their exactions press too greviously to be borne, that their disorganized victims array themselves to oppose the consummation of their schemes.

The national banking system may be regarded as the grand council of this power. It was through its agency, in part, that these stupendous conspiracies in New York found means of accomplishment. Even the *Comptroller of the Currency*, favorable as he is to the perpetuation of the system, is obliged to admit, in his last report, "that nearly one-half of the available resources of the National Banks of the city of New York are used in the operations of the stock and gold exchange; that they are loaned upon the security of stocks, which are bought and sold largely on speculation, and which are manipulated by cliques and combinations, according as the bulls or bears are for the moment in the ascendency." This is not confined to New York, for Secretary McCulloch is also constrained to severely comment upon the banks thus aiding in conspiracies and combinations against the public, and to say that while "all the banks in New York are not guilty," yet that "his remarks are applicable to them *as a class*, and they undoubtedly apply in some measure to many banks in other cities." It is only such a compact monied power that is capable of making any formidable array for or against any measure before Congress; and if the Senator has any doubts that the present clamor for immediate resumption comes from it, and that its inspiring motive is the hope of securing thereby a monopoly in supplying the paper circulation, they would be soon removed, was he to apply the principles of his plan so as to work the extinguishment of the National Bank notes instead of those of the Government.

The success of his plan depends upon that principle of human nature which, within the experience and observation of all, governs every man in his business—that money will not be removed from a place regarded to be perfectly safe to one less secure, nor unless there is some special use for it, and that it will be returned when that use ceases—the principle happily illustrated by the frightened Dutchman, rushing to save his deposit, "You got him, I no want him; you not got him, I want him right away." All must agree with the Senator's estimate of the power and universality of this element of human character, this motive for human conduct; and we agree with him that its *free* operation would secure the success of the measure proposed with far less suffering than would attend immediate resumption. By its free operation we mean freedom from the assault of any formidable and hostile power. We have endeavored to show that such hostile power is found in the National banking system, with a capital on October 5th of $122,804,666, and a circulation of $299,806,565, and that all its interests invite the assault that will defeat every provision made to avert it. It is then for the distinguished Senator to say whether he will permit the slaughter of his progeny, or remove the murderous instrumentality, by substituting in its place a like amount of national circulation.

It is for him to consider whether a change of front would not relieve him from any further annoyance by those who now clamor for a precipitate return to coin. Whether an advance in his lines to meet them half way, by making the time July, 1, 1870, instead of 1871, and providing for the extinction of National Bank notes, would not raise a howl for forbearance from them louder than ever came up from the poor debtor class of the West, as certain Eastern papers are pleased to regard us. A modification of his bill to affect this could be made without the smallest sacrifice of any position he ever held, and it would inflict far less suffering than immediate resumption, or that under the bill in its present form. But suffering in some degree it will inflict. Equally, without sacrifice, could the period of redemption be determined by the operation of known laws, the necessity for which we will endeavor to show in to-morrow's number, when we will venture to describe what was shadowed in the *Gazette* communication. Both elements seem necessary to accomplish the object of the Senator's supreme desire, the return to a convertible currency with the least possible suffering to the people.

The gulf between an inconvertible currency and coin can not be filled without suffering. Then have it over, say some, that the country may the sooner get on to solid ground, on which to build substantial and enduring prosperity. They should know the difference between suffering and death, between loss and ruin. Partial suffering is endurable, and partial losses recoverable; while too great of either is destruction. If there must be a decline of 50 per cent. on present values, in getting to a gold basis, the debtor, who has his property half paid for, will be ruined if the loss comes to him at once; but if the decline is distributed over a series of years, the loss each year can be recovered by his greater activity and industry, and the practice of closer economy. A wise legislator will lighten the load as much as possible, and then make it the easiest to be borne. It is his most imperative duty to interpose every obstacle to blows that would paralize the vitalizing arms of those whose activity and enterprise cause them often to forget the dictates of prudence, and to serve others better than themselves. It is men of this character, who are so extended as to be ruined by an extraordinary decline in prices, that have been referred to as the debtor, while those who owe little or nothing, and whose property consists of credits, either notes, mortgages, ground rents or bonds, as the creditor class. Happily, in this country the mass of the people occupy a position between the two, and are affected by any sudden revulsion only in the degree of their approach to one or the other extreme. It lies with this third class to reconcile the conflicting interests of the other two, so as to minister to its own, in more firmly establishing the reign of honesty, justice, and peace. R. B. P.

LETTER III.

Introduction to Letter IV.

Having endeavored to show that the Senator's theory is right, and would prove a success with a national currency, should the period of its convertibility into coin

be determined by known laws which would work that result several years hence, after the debt had been reduced and satisfactorily funded at low interest, the writer will, in Monday's paper, continue the subject. Regard for the convenience of those whose columns have been used does not permit it to-day.

As it is folly to pull down, without suggesting anything better to take its place, he will then venture to speak of the requisites in any bill looking to a return to coin payment without distressing the country, and which were outlined in the *Gazette* communication. At present he is permitted to express his belief that all the discussion, fuss and confusion periodically raised on the subject of finance arises from the connection between the Government and the banking business. That connection has always existed, either with the State or Federal Government, and been the most fruitful source of political commotion and corruption, and it will always continue to be. The regularity of business and the quiet of the country demand that it shall be severed.

It is the prerogative of the Government to issue the circulating medium, and it is its duty, as soon as practicable, to make it have fixed relation with that of the balance of the world. In other words, the Government alone it is alone competent to furnish the measure for the value of the property of its citizens, who may use it as they please under the laws of their respective States, and in whatever business they see proper, whether mining, manufacturing, or buying and selling dry goods, groceries, notes and bills of exchange, or anything else. And it is its duty to then make that money the different denominations of gold coin, and a paper representative for the convenience of those who might desire its use, instead of gold, which paper circulation, however, should be clothed with no other than a representative power. This language is certainly plain enough to remove the misapprehension under which the *Gazette* seems to labor.

R. B. P.

LETTER IV.

United States Notes instead of National Bank Notes.

The requisites in any bill looking to a return to coin payment, without distressing the country, are: First—That United States notes shall be substituted for national bank notes; and, Second—That the period of their convertibility into gold must depend upon the reduction of, and funding at, low interest the public debt, and the subsequent accumulation of gold in the treasury, to an extent, that will effectually secure it.

These notes may correspond with the present legal tenders, if that is not made impracticable by reason of the coming decision of the Supreme Court, or on account of the opposition of those who have committed themselves against any issue of legal tenders, beyond the amount named in the proviso in the act of June 30, 1864. In either of these events, they could be issued without being made legal tenders in the payment of private debts, but invested with other qualities which would make their acceptability equal to that of the present legal tender portion of the currency. For instance, that they should be made receivable by the Government for everything for which legal tenders are receivable; and that they should be receivable from the Government for all lawful money obligations incurred after the passage of the act; and further, that they should have precedence, if any there should be, over legal tenders in the period of convertibility.

Under the influence of the slight tax which proved so effectual in removing all State bank paper for their benefit, the National bank notes would gradually give place to these new National notes, in such manner as to produce no disturbance to the volume of circulation; thus avoiding a disturbance of values, and consequent derangement of business. The uniformity in the currency being thus secured, all the funds in the treasury above what are necessary for specific purposes should be applied to the reduction of the debt, either by redeeming the 5-20s, according to their terms, or by the purchase of the bonds at the current market rate, now 74 cents on the dollar in London.

The difference between redeeming and purchasing the 5-20 bonds is not so great as is generally supposed, nor so great that it may not be overcome by considerations growing out of the general expectation throughout Europe, raised by the unwise and unauthorized declarations of many of our public men, and especially by those incessantly rang in their ears by Secretary McCulloch, that the principal, as well as the interest, of the 5 20's was payable in gold. This general expectation may cause the purchase of the bonds in the open market, rather than

redemption according to their terms, to be a wise economy in the end.

However that may be, the funds, as fast as they accumulate, should be applied to a reduction of the debt, until all that remained was funded in a 265 or 4 per cent. bond. Thereupon the gold should be permitted to accumulate in the Treasury until it should amount to a sum equal to one-third of the outstanding circulation; the announcement of which fact, in the usual quarterly report, would, under the terms of the law, be notice to the world that United States notes were convertible into gold at the U. S. Depositories, and that they thenceforward ceased to be legal tenders for the payment of debts, public or private. Thereafter, whenever the reserve in the Treasury for gold conversion, should fall below one hundred millions, the Secretary of the Treasury should be required to restore the same by sale of 4 per cent. bonds; and whenever such reserve exceeded one hundred and fifty millions, the excess should be applied to the purchase of the bonds. This provision, together with the fact that the legal tender attribute had been taken away from the notes, would inspire the highest confidence in the permanence of such convertibility, and would cause all the domestic business of the country to be done in them, as they would constitute the only paper circulation; the exercise of such power being expressly prohibited by States, corporations, municipalities or individuals.

With the authority to borrow gold to restore the minimum of the gold reserve immediately when it occurred, there would not probably be much, if any, occasion for its exercise. Without such provision there might be abundant. Thus the National circulation, be the average what it might (three, four, five or six hundred millions), would be like a call loan, without interest, between parties bearing such relations to each other that the call would be seldom, if ever, made. It would be the people, individually, loaning the people, collectively, their gold for its more convenient representative for such time only as might suit their convenience. The interest on the average balance of such loan over the amount of coin in the Treasury for its conversion, would be a clear profit to that people, subject to the abatement of any interest that might be paid on temporary loans, if they should ever be required, to keep up the gold reserve to one hundred millions. Such loans would be but temporary, because while the Secretary was required to sell 4 per cent. bonds to restore the reserve when below the minimum, he would also be required to redeem others when the same exceeded the maximum.

As bankers regard one dollar of coin in the vaults to three dollars of circulation a safe condition, and one that will secure its convertibility into gold at all times, they will not think it imprudent for the United States to undertake to make its notes convertible into coin, when the proportion is as one of coin to only two of circulation. The average of that circulation it is now difficult to determine. We only know that when the banks were paying specie, their circulation, in 1857, was $215,000,000, and in 1860, $202,000,000, mainly of local character, and at such discount in other localities as to invite men to make a distinct business of running the banks for gold. This surely can afford no satisfactory data by which to estimate the amount of a national circulation of uniform value everywhere. Neither can the statistics of monarchical Europe, which Secretary McCulloch has been at such pains to collect to sustain his exploded theory of contraction, be any certain index of what may be expected under institutions entirely dissimilar. There the high minimum for paper circulation is a political necessity; here it is not, and never can be, so long as we remain a free, united people. However valuable these statistics, and the theories predicated upon them about the amount of convertible paper circulation that can be safely floated, may be, they can not measure with any accuracy the amount of National notes, that the convenience of the people of this country would demand. On this subject America may send back to Europe statistics of its own, as she has done in other things. Time only can tell. But whatever the amount may be, it will be just what the people desire, and if it be their pleasure to enjoy a purely metallic currency, no sham, none of what Mr. McCullough in his report classically calls "HARD PAN" (meaning National Bank notes) will interpose to prevent it.

It will be seen, from what has been said in previous papers, that mere uniformity in the circulation will only secure the Treasury from being drained of its 380 millions of gold immediately after July

1, 18 1, thus avoiding the destructive contraction that would *then* occur with a mixed currency: even tho' it might produce as little jar at *that time* as the Senator describes. What, however, would we have between *that time* and this? A succession of jars; a general feeling of uncertainty, and fearful looking forward to the event. The timid would discount the darkness of the future, to an extent that would leave but little light in the present. This dread of itself would produce the very State of things the Senator is most anxious to avoid.

Besides, it would be vain to expect that degree of confidence in a national circulation necessary for its highest success, in the presence of an overshadowing debt at ruinous interest. Before it be made convertible, that debt must be funded, funded fairly; and not by the artifice of swearing to pay gold for the full amount of principal and interest in one breath, and in the next sneakingly endeavor to deduct one-sixth of it, under the name of tax—as if we had any right to tax property held and owned in a foreign land. Neither by requiring all the bondholders to exchange at six per cent. for a *four* per cent. bond, on or before the next November, under the penalty of—no one knows what, except the repudiation of the balance. Not thus but in a way that will command the respect or admiration of mankind: its respect by redeeming the bonds according to their terms, the letter of the contract, and because it is the letter, or its admiration by generously purchasing the bonds in the market at whatever discount they are selling, because of the general expectation that has been raised by the acts of many of our public servants. Until then, let every dollar, above what is necessary to meet the current expenses and interest, be applied to the reduction of the debt. The country has suffered enough already from the suicidal policy of Secretary McCulough in piling up one hundred to one hundred and fifty millions of gold in the Treasury, under the delusive expectation that the sight of it would delude the people, and make them feel strong, when every man of sense could see that, like night sweats to a consumptive, it was daily taking away the strength of the sufferer.

During all this time of gradual reduction of the debt and funding it, confidence in the National circulation would be taking deeper root and gradually lessening the difference between it and gold. The premium would sink from year to year, and month to month, as the day approached when there could be none. When the debt had been adjusted, and the quarterly reports began to show an accumulation of gold in the Treasury for conversion of the National notes, the premium on gold would be in the unit's place, and with each reported increase the rate would sink from 6 per cent to 5, 4, 3, 2, 1, ½ and ¼ of one per. cent. until the report appeared, which would show, say, circulation, $700,000,000; gold in the Treasury, $234,000,000. On that day the standing forms for quotations of "gold premium" might be distributed, as they would be of use never more.

What jar would there be in stepping from ¼ of one per cent. to par, and how many people would rush for the gold, especially when the vast increase in the business of the country might *then* require for its convenience nearly the full amount of the notes in circulation. Suppose they did rush, if such a supposition is possible, what would it amount to? Suppose all the gamblers in Wall-street should unite, as they sometimes do, to work iniquity, and throw their terrible strength, now resistless, against the Government, they would be as harmless as a lot of bulls and bears, that might seek to obstruct the track and throw off the locomotive. The dumb engine, dashing forward unconscious of its high mission, would throw their carcasses to the right and left, without producing an appreciable diminution of its speed or the smoothness of its motion. The yelping of such unholy combination would be as contemptible as the barking of a pup dog at the passing train, for at this juncture, the bonds of the United States would be like the gold itself, and the vast interest invested in them would be in harmony with the Government, to defeat any conspiracy against its credit. All of that interest in Europe and this country would be interested in maintaining the integrity of the National circulation, which, from the moment of its convertibility would be a debt of the Government, even a preferred confidential one, as it would be held by every class in the community, however humble, a position it does not now occupy, as we will endeavor to show in a future number.

R. B. P.

LETTER V.

Are U. S. Notes part of the Public Debt?

Doctrinal discussions are profitless except to correct a false one, when its mischievous influence appears in the practices of those who entertain it. Thus it is with the question whether U. S. notes are money, or a debt of the Government; so long as it was an abstraction, it made no difference how it was considered, but not so when those who hold the false doctrine are driven by it to the advocacy of a measure most disastrous in its effects.

That the Senator's argument proceeded upon the assumption that United States notes are part of the public debt, and that it led him to suppose that all the means of the Government should be applied for their payment before that of any of the debt not matured, fully appears, we think, in the following extracts, which could not be reduced without doing them injustice:

> I do not believe that the existence of our bonded debt has anything, or scarcely anything, to do with the depreciation of our currency. I believe our currency would be depreciated as it is, if the Government did not owe a single bond, or if all our bonds were at par. Why is our currency depreciated? and why would it be depreciated if the Government did not owe a single bond? Because the greenback note is a promise by the Government to pay so many dollars on demand which it does not pay. The promise is daily broken, and has long been dishonored. The note draws no interest, and the Government has fixed no time when it will pay it. Under such circumstances the note must be depreciated.
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> If an individual fails to pay his debts, payment may be enforced by the law against his property, but against the Government there is no such remedy. What would be mere neglect or failure, therefore, on the part of an individual would be repudiation by a Government. If the greenback note is to be regarded as an obligation, for the payment of which the Government is pledged, the continued failure of the Government to make any provision for its redemption can not be regarded in any other light than repudiation.
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> We have $356,000,000 of the public debt over due and drawing no interest, and we take the only means of paying this debt and apply it to the purchase (at a discount) of our bonds, which will not be due under fourteen years. What would be said of the integrity of a man who should refuse to pay his debts, which are due, leaving his creditors to suffer great loss, and should employ his money to buy up, at a heavy shave, his debts that will not be due under ten or fifteen years? Plain people would call such a man a rascal and a swindler, and they would speak of the Government in the same terms under the same circumstances. The pretense that it was done to improve the value of the currency would deceive nobody. Such a plan of returning to specie payments is worthy of the "Circumlocution office," and should be labeled "How not to do it." The greenback currency is a part of the public debt, for the redemption of which the faith of the nation is solemnly pledged. The redemption of this pledge is not only demanded by every principle of national honor, but is imperatively demanded by the interests of the people, collectively and individually.

If this be really so, then Mr. Greeley is certainly right in saying that a pledge, whose redemption is demanded by every principle of national honor, should be redeemed at once. Does not the Senator place a low estimate upon that honor when he is willing to barter it away for a two and a half years' *extension* on only $350,000,000 out of an indebtedness of $2,500,000,000, rather than "the Government shall go into Wall street and buy the gold, like the imposter or the gambler, or sell new bonds in Europe at seventy or seventy-two cents on the dollar, to obtain it that way." There is a screw loose somewhere, something wrong in premises that require him thus to describe that, which no one did more to commend to the favorable regard of the people in times past, and from which no one seems, in another part of this same speech, to expect more in the future. The Senator evidently is not so clear about United States notes being a debt as Mr. Greeley is, or he would act as he does, as General Harrison did under like embarrassing circumstances, with debts past due, and no ready money to meet them.

It is related that kind friends then advised him to stave off his debts and get time; that his property would rise so as to leave him a comfortable estate after paying all up. With blunt honesty he replied: "But the debts are due; the men want their money; they want it now, and not after my property has risen, and they shall have it." They got it: and the hero found himself, in his old age, in very different circumstances from those whose worldly wisdom directed to a different line of conduct. Should not a people, who, appreciating his virtues, transferred him from a County Clerk's office to the Presidential chair, follow his bright example of preferring honor before riches. Certainly they ought; and would they not, if they believed U. S. notes part of the public debt. To argue otherwise is to prove them capable of repudiation; for faithlessness to part of one's obligations affords abundant evidence of the treatment that will be extended to the whole whenever it will pay.

The patient endurance of this people under the immense burthen of paying one hundred and thirty millions in gold annually for interest alone, shows that they have no disposition to shirk any of their obligations, much less those due among themselves; hence it must conclusively appear that they do not regard the United States notes in the light which Senator Morton and Mr. Greeley describe them—a part of the public debt payable on demand—but that they are simply money. This verdict of an intelligent people, proclaimed for years in their every act, it is now sought to reverse. The effort now being made to turn the minds of the people

to regard these notes as a debt of the Government uses no argument, but only vehement declarations, bitter denunciation and shallow attempts at ridicule. Being one of the million that joined in that verdict, the writer will state the grounds of his conviction, and attempt the difficult task of proving the truth of an axiom,—of that which has for eight years been received as a self-evident truth—that United States notes are simply the lawful money of the country, and form no part of that which is to be paid by money, as is required to discharge all debts either public or private.

IN THE LIGHT OF COMMON SENSE.

In doing this we will first attempt to show the absurdity of the contrary doctrine, by speaking of the singular position in which it places those who follow it to its logical conclusion, and then give the evidence to show that it can find no foundation in the laws authorizing the utterance of United States notes.

The language now used toward these notes presents the strange spectacle that many who saw no wrong in the creation of legal tenders and were the most denunciatory of all that opposed their acceptance, cannot now find language strong enough to describe them as lying promises, degraded things, that all honorable men should unite in sweeping out of existence; while on the contrary, those who opposed their issue as unconstitutional, dishonorable and wicked, are now the advocates of their continuance as a circulating medium.

The conduct of the latter is consistent. They resisted the issue of that currency on account of its taking money out of the pockets of the creditor and giving it to the debtor, by compelling the former to take in full payment a currency other than that in which the debt was contracted. Who can say they were not right? Surely not those who clamor for another change of tender which will compel the poor debtor to pay fifty per cent. more than he ever contracted to pay—who now demand coin payment for debts, many of which were contracted when the currency they received was not worth half as much as coin. The *Gazette* well describes the demand for such payment, and the men making it:

> They have a notion struggling in their overtaxed brains that if a debtor does not pay 50 per cent. more than his debt he is dishonest. The creditor who compels a debtor to pay 50 per cent. more than the debt, is their model of honesty. And they don't want any specie resumption unless the law shall sacrifice debtors in this way. Next we may have the robbers of the highway affirming that their practice is the standard of honesty, and that those who deny their demands have abandoned honor and honesty.

Those who resisted the issue of legal tenders then, now resist their withdrawal, and for the same reason. They say that notwithstanding their objections, the act was passed, the notes issued, and creditors had to take them instead of gold—and that they were thus wronged out of the difference between gold and United States notes at the time of payment; that this state of things has been going on for eight years, during which the individual indebtedness contracted to be paid in gold has all, or nearly all, been paid in these notes, to the injury of thousands of innocent persons compelled to receive them; that during all this time of depreciated currency, other men, constituting the present business community, have innocently and honestly contracted to pay debts in it, several hundred millions of which have not matured; and that to require these men to pay coin, worth more than a third more than that in which the debt was contracted, is as great a swindle as the first, and that those who would demand it, or for their own personal aggrandizement are endeavoring to create a state of things that will compel it, exhibit that furtive obliquity of vision characterizing—

This sentiment is not confined to those who opposed the issue, but animates a large proportion (at least in the West) of those who favored it. They found in the inexorable necessities of war an ample apology for the offense; and in the instincts of humanity, the law of self-preservation, rising above all written contracts and constitutions its full justification; but they fail to find the slightest excuse for the greater offense that is now being attempted—greater by the difference between robbing a poor man of his all, and a rich one out of his abundance. They also fail to see any unconstitutionality in legal tenders, save in the character of their utterance, the changing the value of a currency between the time of the contraction and the payment of a debt, whereby the intention of the contract is defeated. Whether they are or not is a matter for the Supreme Court to determine, and not for newspaper discussion. Until then it is uncertain how far Congress may go in doing that which is not forbidden by the Constitution, although expressly denied to the States. Unconstitutional or not, the feature is as prominent in the violent change now proposed as in that first made. If this first breach of the Constitution can not be justified by the exigencies of war, nor the instrument of its accomplishment be sanctified by time, how much less can a like breach be justified in a time of profound peace, when there exists no possible excuse for the offense. If, on the contrary, the necessities of war did justify the creation of the United States notes, may not the necessities of peace as strongly demand their continuance; for peace has its necessities as well as war.

To those who, for their own agrandizements, started this doctrine about the United States notes being a part of the

public debt, of the same character as the balance, and, therefore, demanded immediate payment to wipe out the dishonor attached to the non-payment of debts matured; and whose incessant clamor has so filled the public ear that some of the best men in the land have accepted it as true, we would commend a chapter in our country's history that would be profitable for their study.

In 1820, to secure the admission of Missouri as a slave State, and to reconcile the antagonistic power of the free and slave States, an arbitrary line was decreed beyond which the institutions of either party could not pass. There was no more constitutional authority for that act than for the legal tender one. It was equally unjust and iniquitous, and the only excuse for it was the necessity that required it. It was simply a plank which the nation seized hold of to keep from drowning, just as it laid hold of legal tenders. Through long years it served well its purpose. In an evil hour it was found to stand in the way of a selfish, grasping and formidable power, that sought to destroy it—that showed its injustice and unconstitutionality, and the necessity of immediately undoing a great wrong, and returning to correct principles. They did destroy it. But what did it profit the destroyers? Let the turmoil, confusion and terrible destruction that came upon them answer. May not this lesson teach that the undoing a great wrong may be doing a greater, and that it may be well to treat even "dishonored promises" with honor? May it not suggest that the attempt to indissolubly connect the public faith with an institution which, if history teaches anything, one-half the people of this country will spare no effort to destroy, will be like binding a corpse to a living man?

The inconsistencies involved in treating U. S. notes as irredeemable paper, like bank notes, partly, perhaps, from its being in the same similitude, and more from the habitual utterances of the banker at the head of the Treasury, ought to cause those entertainining that idea to consider, whether the popular one is not more correct; for nothing is clearer than that the Government never intended to pay these notes on demand when it issued them—that they were not considered evidences of debt, as the word debt is universally understood, and was applied in the same act. Careful provision was made in that act, and every subsequent one, as it had been in every one prior, for the redemption or payment of every debt ordered. Without that, no debt would be entitled to a particle of credit; but no such provision was made for these United States notes. They were simply made payable to bearer, when the Government knew they had not a dollar to pay them with, and everybody that took them knew they would not be paid, and were not so intended. They were made for nothing else than a circulating medium, to be used as money, and declared to be money, having all its attributes, save in payment of imports and interest. It was expected and understood by both parties to the introduction of these notes as a circulation, the Government and the people, that they would continue to occupy that position without regard to their relative value with gold, to which, however, it was hoped and expected that the restoration of peace and prosperity would gradually cause them to approximate, until the one should be convertable into the other.

To speak of them, therefore, in any other light, or as debts which the national honor requires to be immediately redeemed, is calculated to confuse the mind, as to what good faith really does require. To speak of these notes as lying promises, obligations which the Government has failed to redeem, and that it is dishonored every day of their existence, is demoralizing society, and fast causing the people to look lightly upon dishonor itself. Rather than the indulgence of such expressions, it should be the desire of every one to regard them in the light of their utterance, and use and seek at as early a day, as a due regard to the condition of the country, and the relation of debtor and creditor will permit, the realization of the hopes and expectations entertained at their creation, of their future convertibility into gold, or retirement as provided in the statute.

IN THE LIGHT OF THE LAW.

The common-sense view of these notes taken by the people is, we think, sustained by the record. That the idea of their being part of the public debt is an error, and foreign to every expression in the laws authorizing their issue, will appear by reference to them.

From the opening of the war to the close of the session of Congress in March, 1867, there were passed thirteen acts, in which direct reference is made to the government notes issued, under pressing exigencies, for a circulating medium. Five of these authorize their issue, seven incidentally refer to them, and one (April 12, 1866) looked to their *extinction* in language that may be construed into a recognition of the notes as part of the debt, viz.: "That the act of March 3, 1865, shall be extended and construed to authorize the Secretary of the Treasury, at his discretion, to receive any treasury notes, or other obligations issued under any act of Congress, whether bearing interest or not, in exchange for any description of bonds authorized by the act to which this is an amendment; and also to dispose of any," &c., the section closing: "*Provided*, That of the United States notes not more than ten millions of dollars may be retired and canceled within the six months from the passage of this act, and

thereafter not more than four millions of dollars in any one month." The inference to be drawn from this proviso should be considered in connection with the language used toward United States notes in every other reference to them. It will be recollected that this act was passed after the United States notes had been the accepted money of the country over four years; that it was inspired by Secretary McCulloch to aid him in carrying on the war as he had begun against them, and that the proviso was tacked on to it by the friends of that currency, chief among whom was Senator Morton. Under these circumstances, should not the language be understood simply as a declaration for their protection, and a check upon the course the Secretary had been pursuing under the bank-begotten idea that United States notes were irredeemable paper, and part of the public debt, and the one which he was most anxious to extinguish.

The language used in defining the punishment for counterfeiting "any note, bond or other security," and "any obligation and security of the United States," in general terms, without any specific mention of United States notes appears also to include them in the public debt. This impression is, however, removed by the proviso "that the words obligation and security of the United States used in this act shall be held to include and mean all bonds, coupons, national currency, United States notes, fractional notes, Treasury notes, &c.—stamps and other representations of value, of whatever denomination, which have been, or may be used, under any act of Congress." For if stamps and National Bank notes are not part of the public debt, neither are the United States notes, so far as any language used in this connection is concerned.

With these exceptions, the greatest care seems to have been observed to keep prominent the distinctive character of the present United States notes as nothing more than a currency, not to be confounded with any form of Government indebtedness. Not so, however, with the United States circulating notes issued prior to the act of February 25, 1862. They are everywhere spoken of as a debt, and ample provision was made for their speedy conversion into coin, or its equivalent, in the very act creating legal tenders.

United States circulating notes may, therefore, be a part of the public debt, or they may not, depending upon the law of their existence. They are debts when that law says "that the Secretary of the Treasury be, and he is hereby authorized to *borrow* on the credit of the United States, (two hundred and fifty million dollars), and may also issue in exchange for coin, and *as part of the above loan*, or may pay for salaries or other dues, fifty million dollars of *Treasury notes* of a less denomination than fifty, but not less than five, dollars, not bearing interest, but payable on demand by the Assistant Treasurers of the United States at Philadelphia, New York, Boston, St. Louis, or by the depository at Cincinnati." [Acts July 17 and Aug. 5, 1861.] They are not debts when that law says "that the Secretary of the Treasury is hereby authorized to issue, *on the credit* of the United States, one hundred and fifty millions of dollars of United States notes, not bearing interest, payable to *bearer* at the Treasury of the United States, and of such denominations as he may deem expedient, not less than five dollars, and shall be receivable for all dues to and from the Government, and shall also be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest on the public debt." [Act Feb. 25, 1862.] The words of these two creative acts are thus placed in juxtaposition, because they speak for themselves.

The notes of their creation agree in not bearing interest, and in being issued for the sole purpose of a currency. They differ in their title and in their essence: The first is payable on demand at a designated place; the second at no time and at no place, but at the Treasury of the United States—a myth, as it is used in this act; for had any particular place been intended, that place would have been named, as it was in the act of July 17, 1861. The "Treasury of the United States" described in this connection conveys about as clear an idea of locality as "the army of the United States." The locality of the army of the United States is where its organized force is placed by the proper authority, the head of the army; and that of the Treasury is also to be found where its organized force, its money with the officers having it in charge, is placed by the head of the Treasury Department. It would be interesting to see a banker buy a bill payable at such a well defined point; especially if its strength lay in the endorser. You say, it of course means at the Treasury in Washington; but somebody that printed the notes payable "at the Treasury in New York," instead of "at the Treasury of the United States," as prescribed in the act—does *not* say so. Where the authority came from to do it, a careful perusal of the loan and currency laws fails to discover. If there be no authority for it, the person to whom the execution of the plates was entrusted by the Secretary, committed a grave offence, in doing what has contributed more than any thing else, to deceive the people, by keeping before them that which might impress the idea of their being irredeemable paper like suspended bank notes. Why they were not made like fractional currency, in a form that would not minister to such error, is a

matter for curious enquiry; for both were created by the same act, and with the same general directions for their execution and emission. It might also be interesting to know why there appears on some of the notes, "the United States will pay the bearer at the Treasury in New York," while others read "the United States promise to pay the bearer, &c." The man that thus made them "promise" anything, caused them to promise more than what the law authorized.

The *first* is declared to be part of a loan, and for money borrowed on the credit of the United States; the second simply an issue on the credit. The first is an evidence of debt; the second nothing more than a paper medium, intended to circulate as money on the credit of the Government in the ordinary uses of business. In the first the pledge given was for payment in coin, on demand; in the second that pledge was for the Government to do what it promised, and nothing more? What was that? That they should be received for taxes and other dues to the Government; that they should be lawful money and a legal tender in the payment of all debts; and that they "should be received as coin at their par value for any loan that may hereafter be made," and also be exchangeable for five-twenty bonds bearing six per cent. interest. So long as the Government fulfilled these conditions, it did all that was involved in the pledge of its credit. It has failed to do it; but the dishonor lies not in failing to do what it never promised, but in declaring by act of Congress, more than a year afterward, that "on the first day of July, 1863, and thereafter, the right so to exchange the same (United States notes for six per cent. bonds) shall cease and determine." They who saw no tarnishing of national honor in this, and who now propose to further violate the most important condition of the contract, by taking away the legal tender attribute, denounced by Senator Morton as the foulest repudiation, are the parties who now talk the loudest about meeting the obligations involved in the pledge of the Government credit given at the time of their issue.

There is another provision in these laws which must have failed to attract the attention of the Senator, contained in the proviso to the words creating the first issue of the one hundred and fifty million U. S. notes: "Provided, however, that fifty millions of said notes shall be in lieu of the demand notes authorized to be issued by the act of July 17, 1861, which shall be taken up as rapidly as practicable, and the notes herein provided for substituted for them." If these legal tender notes were considered a debt, and payable *on demand*, they were exactly like those issued July 17, 1861. Being so, what sense was there in thus seeking to exchange the one for the other, and why was it declared that one class of notes were receivable the same as coin in payment of duties, while in another part of the same act the other class were declared not to be receivable at all. Further reference to the language of these laws will only exhaust the patience of the reader. Those whose inclination leads them to examine, will find in them abundance of similar testimony.

If these notes be not part of the public debt, and are payable at no time nor place, what is to become of them—when will they be paid? Just when the law creating them says they shall be. That law does not contemplate payment but extinction, when the Government shall cease to reissue them, for it says, "*they may be reissued, from time to time, as the exigencies of the public interest shall require*, which language is repeated in some of the acts in manner to require such reissue. The time, therefore, when this authority to reissue shall cease, depends upon the public interest, and nothing beside. The question for consideration, then, is simply what the public interest demands. That *alone is to be* consulted. In discussing it, reference to other things is only darkening counsel by vain words. The law directs that nothing but the public *interest* shall be considered; the welfare of the people shall be the only object sought. Hence it should not be clouded by any false assumption that the *honor* of the country demands an immediate or speedy payment of these notes in coin, without regard to the business interests of its citizens.

The opinion vaguely possessing many minds, that these notes are to be treated as an ordinary debt, is caused, mainly, by their being made in the similitude of a bank note, and by their falsely stating that "the United States promise to pay the bearer." Had they been made in manner and form that would not have suggested a bank note, and the words describing them been in strict conformity to the law, no one would have understood them to be anything but "bills of credit," issued on the credit of the United States, in virtue of its constitutional power. These bills would then have been considered only money; for the Constitution evidently regarded instruments issued by law, in the name and on the credit of the sovereign power, and intended for circulation from hand to hand—as money. Chief Justice Marshall, in the case of Craig vs. State of Missouri, 4 Peters 432, unmistakably defines the character of these United States notes. "The term has acquired an appropriate meaning; and 'bills of credit' signify a paper medium introduced to circulate between individuals and between Government and individuals for the ordinary purposes of society." Those who persist in speaking of such paper as is here described by the Chief Justice as a pledge made to the holder by the

Government, to be no less complete and effectual than that which is given in what is known as a bond, will come to a different conclusion, after consulting standard authorities. They will probably find that the emission of bills of credit is an extreme stretch of sovereignty, and that they are payable only in such manner and at such times as suits the convenience and consists with the interest of the sovereign power on whose credit they are issued.

The words of Chief Justice Marshall describing government circulation, are in strange contrast with those of the Senator. It is not surprising, when we consider that the latter only repeats the language usually indulged in by bank issuing financiers, with whom he has no doubt conferred. In pressing their ends, they have succeeded better in impressing their words than their opinions, for it is clearly the Senator's purpose to protect the national currency, rather than destroy it. If the means for its accomplishment prove inadequate, it must arise from his mistake in regarding these notes as obeying the laws governing ordinary indebtedness, because of the habitual use of terms describing it. No one regards Senator Morton as one who has made finance the study of his life; but rather is he held to be a wise, sagacious statesman, seeking the best means for the best ends. He has grasped the situation in substantially declaring that no return to coin payment shall be permitted that will seriously contract the currency, and thus bring disaster upon the country; and that the best means to accomplish that end is to create a state of things in the future that will secure the convertibility of the Government notes and permit them to circulate as freely as they do now. If, in arranging the details, he has fallen into error, it is evidently from having been misled by the degraded terms used toward an "irredeemable currency" by the very man who should have been last to use them—the head of the Treasury—the official guardian of their credit.

Without giving a specimen from an annual report of Secretary McCulloch, the reader can hardly concieve of his tender regard for the credit of that which was entrusted to his charge. "Upon the demoralizing influences of an irredeemable Government currency, it is not necessary now to enlarge. They are forced upon our attention by every days' observation, and we can not be blind to them if we would. The Government is virtually repudiating its own obligations by failing to redeem its notes according to their terms. These notes are payable to bearer on demand in dollars, and not one of them is being so paid. It is not to be expected that a people will be more honest than the Government under which they live, and while the Government of the United State refuses to pay its notes according to their terms, or at least so long as it fails to make proper effort to do so, practically teaches the people the doctrine of repudiation." After continuing in this vein through eight pages of his annual report, he winds up thus: "How much of the demoralization which exists in the Revenue service of the United States is attributable to the failure of the Government to redeem the legal tender notes according to their tenor, would be an interesting subject of inquiry, but hardly appropriate to a communication like this."

It would be far more interesting to find how far the disorder in the Treasury Department proceeds from the Secretary's neglect of his duties, in consequence of his attention being absorbed in efforts to fasten the National Banking System on the country. It is only the blindness of such purpose that has permitted the Secretary of the Treasury of the United States to so far forget the proprieties of his position as to proclaim to the world,—that an apology for all the villainy in his department, the greatest accumulation ever known, is to be found in the demoralizing influence of the lawful money of his country. R. B. P.

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